

2015 JETRO Survey on Business Conditions of Japanese Companies in Europe

December 16, 2015

Japan External Trade Organization (JETRO)
Overseas Research Department,
Europe, Russia and CIS Division

Overview of the Survey

Purpose of the Survey

- This survey researches, collects data on, and analyzes the activities of Japanese companies operating in Europe to make clear the managerial issues and other matters directly impacting their business performance, for the purpose of assisting the implementation of strategic international business planning at Japanese enterprises and policy planning at related agencies. It also is intended to help identify and provide efficient support to the facilities of Japanese companies operating in Europe.

Targets of the Survey

The survey subjects consisted of Japanese affiliates in 16 nations of Western Europe, 9 nations of Central and Eastern Europe, for which the Japanese direct or indirect investment ratio is 10% or more. This includes companies established by Japanese affiliates operating in Europe or elsewhere (i.e., lower-tier affiliates). Its subjects did not include representative offices, liaison offices, or companies set up by Japanese persons locally.

Period of the Survey

- From September 17, 2015 to October 15, 2015

Response Status

- Of the 1,399 Japanese enterprises which we sent questionnaires, we received responses from 957 companies (response rate of 68.4%).

Notes on the Survey

- Survey results were totalled using information sources that can be considered reliable by the JETRO offices in Europe. However, we do not guarantee the complete accuracy or comprehensiveness of the information.
- Not all the respondents answered every question. The component percentages in the tables and charts in this document have been rounded off and therefore may not always add up to 100%. Furthermore, the percentages for questions on which multiple answers are acceptable may not necessarily add up to 100%.
- Some industries or answers may not be listed if the number of respondent companies for each answer was less than five.
- If the industry, country or region is not clearly specified in a table or chart, this means the table or chart refers to Europe as a whole.
- The survey has been running continuously since 1983, but in 2012 the survey was expanded to include “non-manufacturing industries” as well as “manufacturing industries.” As a result, only manufacturing industries can be compared when analysing data from five years ago or more.
- Turkey was included in the survey up until fiscal 2014. It is included in the “Survey on Japanese Companies in Middle East 2015.”

Target Countries/Industries (Breakdown)

Western Europe

■ UK, Germany, France, Netherlands, Belgium, Italy, Spain, Ireland, Sweden, Finland, Portugal, Austria, Switzerland, Denmark, Greece, Luxembourg

Central and Eastern Europe

■ Czech Republic, Hungary, Poland, Romania, Slovakia, Slovenia, Bulgaria, Montenegro, Serbia

Manufacturing

Electric machinery/electronic equipment , Motor vehicle and motorcycle parts and accessories, General machinery (including metal molds and machine tools), Chemicals and Petroleum products, Electric and electronic parts and components, Pharmaceuticals, Motor vehicles and motorcycles, Food/agricultural/fishery processing, Precision equipment, Plastic products, Fabricated metal products (including plated products), Medical devices, Rubber products, Ceramic/stone/clay, Textiles (yarn/cloth/synthetic fabrics), Clothing and textile products, Lumber and wood products (excluding furniture and interior products), Paper and pulp, Iron and steel (including cast and forged products), Printed and Published, Nonferrous metals and products, Furniture and interior products, and Other manufacturing

Non-manufacturing

■ Sales company, Trading company, Transport/warehousing, Communications/software, Insurance, Hotel/travel/restaurant, Banking, Securities, Distribution, Mining, Real estate, Construction/plants, Fishery, and Other non-manufacturing

Survey Results

- I. Performance (Operating Profit and Sales) Forecasts
- II. Future of the European Economy, Business Outlook in the Next One or Two Years
- III. Promising Future Sales Destinations, Changes in the Number of Employees
- IV. Challenges in Management, Localization of Management
- V. EPA/FTA
- VI. Local Procurement

I. Operating Profit Forecasts (1)

Fig. 1 Operating profit forecasts for 2015

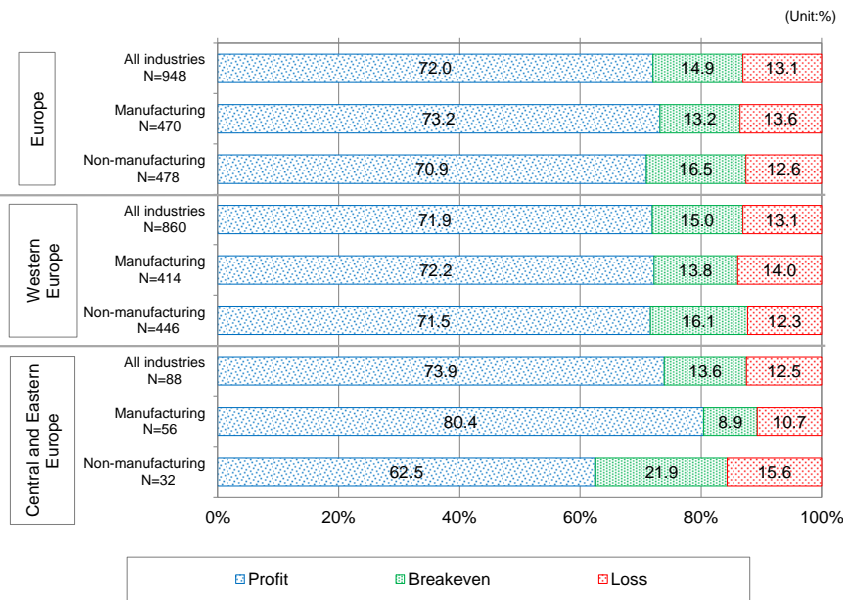
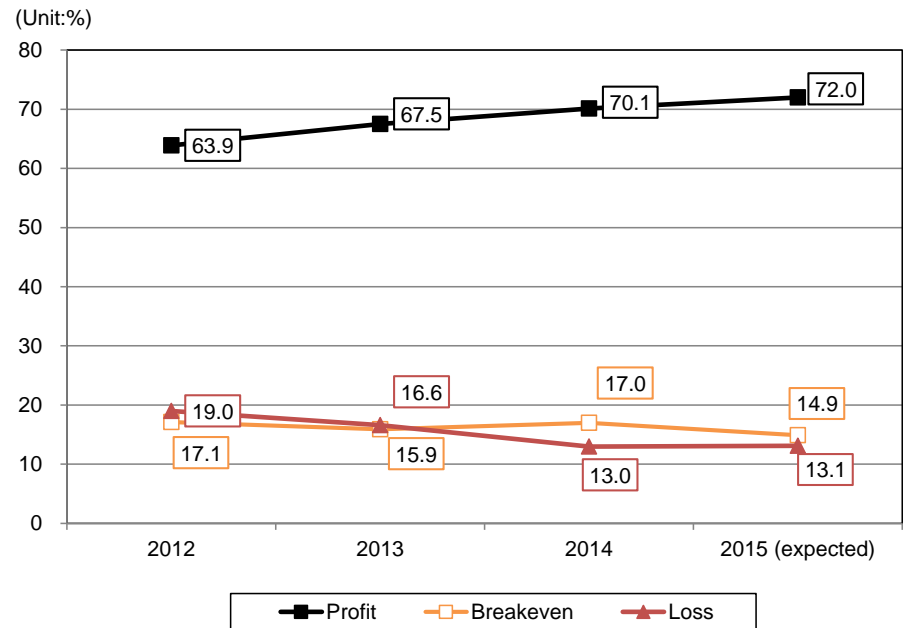


Fig. 2 Trends in operating profit forecasts



- When it came to operating profit forecasts for 2015, the percentage of respondents forecasting “Profit” stood at 72.0%, with “Breakeven” at 14.9% and “Loss” at 13.1%. The percentage forecasting “Profit” has been increasing since 2012.
- With regards to Central and Eastern Europe, there was a huge gap between manufacturing and non-manufacturing industries, with 80.4% of respondents in the former forecasting “Profit” as opposed to only 62.5% in the latter.

I. Operating Profit Forecasts (2)

Fig. 3 Expected operating profits in 2015 compared to the previous year's (2014) performance

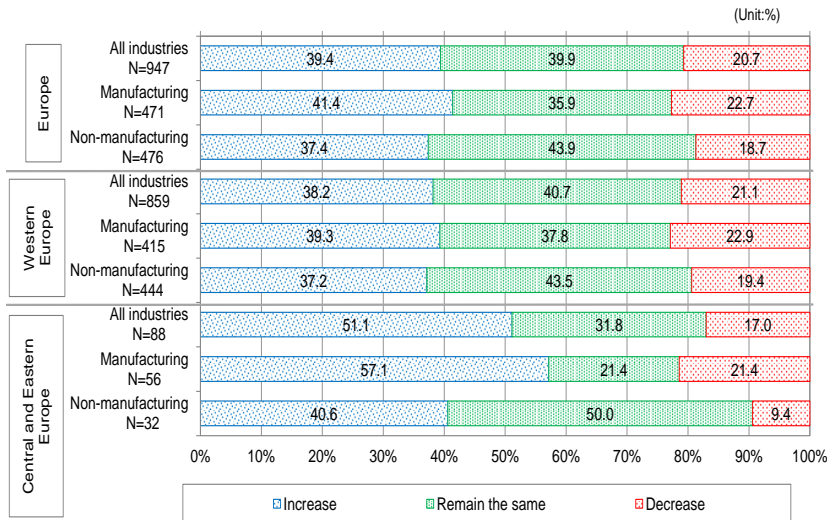


Fig. 4 Industries with high percentages of companies forecasting an "Increase" or "Decrease" in operating profit forecasts for 2015 compared to the previous year (2014) (multiple answers)

"Increase"		(Units: cos., %)		"Decrease"		(Units: cos., %)	
		Responses	%			Responses	%
1	Rubber products	8	66.7	1	Mining	4	80.0
2	Pharmaceuticals	17	65.4	2	Ceramic/stone/clay	4	50.0
3	Real estate	3	60.0	3	Hotel/travel/restaurant	7	38.9
4	Food/agricultural/fishery processing	12	54.5	4	Precision equipment	6	37.5
4	Motor vehicles and motorcycles	12	54.5	5	Securities	3	33.3
				5	Other manufacturing	12	33.3

Fig. 5 Reasons for expecting an "Increase" or "Decrease" in operating profit forecasts for 2015 compared to the previous year (2014) (multiple answers)

Reasons for forecasting an "Increase"			(Units: cos., %)			Reasons for forecasting a "Decrease"			(Units: cos., %)		
			Responses	%			Responses	%			
1	Sales increase in local markets		233	63.8	1	Sales decrease in local markets	84	43.3			
2	Sales increase due to export expansion		128	35.1	2	Exchange rate fluctuations	63	32.5			
3	Improvement of sales efficiency		68	18.6	3	Sales decrease due to export slowdown	34	17.5			
4	Improvement of production efficiency		65	17.8	4	Increase of labor costs	31	16.0			
5	Decrease in procurement costs		63	17.3	5	Increase in procurement costs	27	13.9			

- When asked how their expected operating profits for 2015 would change compared to the previous year (2014), 39.4% of respondents answered "Increase", with 39.9% answering "Remain the same" and 20.7% "Decrease." The percentage answering "Increase" was particularly high when it came to manufacturing industries in Central and Eastern Europe.
- When viewed by industry type, forecasts for an "Increase" topped 60% when it came to Rubber products, Pharmaceuticals and Real estate.
- The most popular reason given for expecting an "Increase" in operating profit forecasts for 2015 was "Sales increase in local markets."

I. Operating Profit Forecasts (3)

Fig. 6 Operating profit forecasts for 2016 compared to 2015

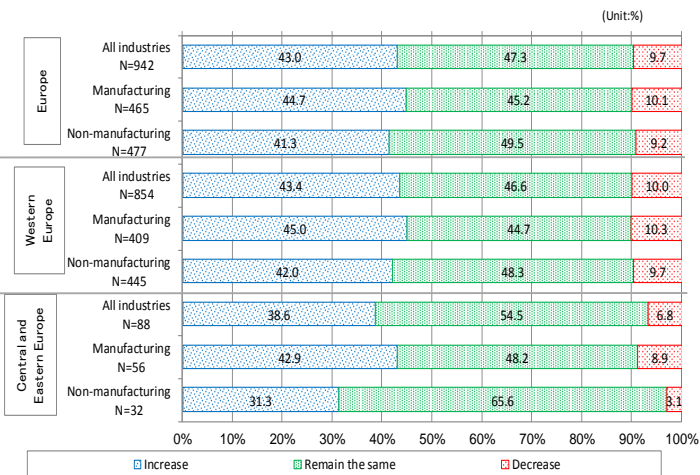


Fig. 7 Industries with high percentages of companies forecasting an "Increase" or "Decrease" in operating profit forecasts for 2016 compared to 2015 (multiple answers)

"Increase"		(Units: cos., %)		"Decrease"		(Units: cos., %)	
		Responses	%			Responses	%
1	Plastic products	10	66.7	1	Ceramic/stone/clay	2	25.0
2	Food/agricultural/fishery processing	13	61.9	2	Medical devices	3	23.1
3	Fabricated metal products (including plated products)	8	61.5	3	Construction/plants	1	20.0
4	Communications/software	14	60.9	4	General machinery (including metal molds and machine tools)	8	16.0
5	Pharmaceuticals	14	58.3	5	Fabricated metal products (including plated products)	2	15.4

Fig. 8 Reasons for expecting an "Increase" or "Decrease" in operating profit forecasts for 2016 compared to 2015 (multiple answers)

Reasons for forecasting an "Increase"		(Units: cos., %)		Reasons for forecasting a "Decrease"		(Units: cos., %)	
		Responses	%			Responses	%
1	Sales increase in local markets	278	69.3	1	Sales decrease in local markets	46	51.1
2	Sales increase due to export expansion	138	34.4	2	Sales decrease due to export slowdown	20	22.2
3	Improvement of sales efficiency	100	24.9	3	Exchange rate fluctuations	17	18.9
4	Improvement of production efficiency	80	20.0	3	Production costs insufficiently shifted to selling price of goods	17	18.9
5	Reduction of other expenditures (e.g., management/utility/ fuel costs)	68	17.0	3	Other	17	18.9

- When asked how their operating profit forecasts would change for 2016 compared to the previous year (2015), 43.0% of respondents answered "Increase," while 47.3% answered "Remain the same" and 9.7% answered "Decrease." About half of the companies expect operating profits to "Remain the same."
- When viewed by industry type, the Plastic products saw the largest number of "Increase" replies at 66.7%, followed by Food/agricultural/fishery processing, and Fabricated metal products (including plated products).
- The most popular reason given for expecting an "Increase" in operating profit forecasts for 2016 was "Sales increase in local markets."

I. Sales Forecasts

Fig. 9 Sales forecasts for 2015

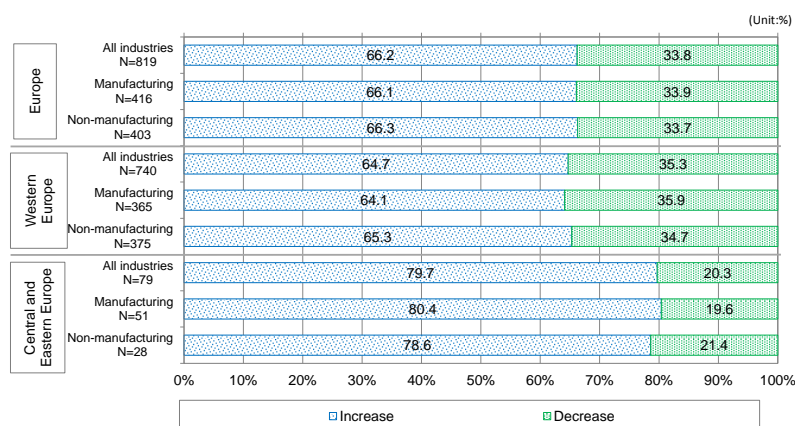


Fig. 10 Reasons for forecasting sales increase/decrease

Reasons for a sale increase

"All industries"			"All industries"			"Non-manufacturing"		
	Responses	%	Responses	%	Responses	%		
1	Increase of demand in your country market	302	56.2	158	57.5	144	55.0	
2	Improvement of sales system	247	46.0	108	39.3	139	53.1	
3	Improvement of quality of your products or service	190	35.4	95	34.5	95	36.3	
4	Increase of demand outside your country market	145	27.0	82	29.8	63	24.0	
5	Raise of price of your products or service	32	6.0	16	5.8	16	6.1	

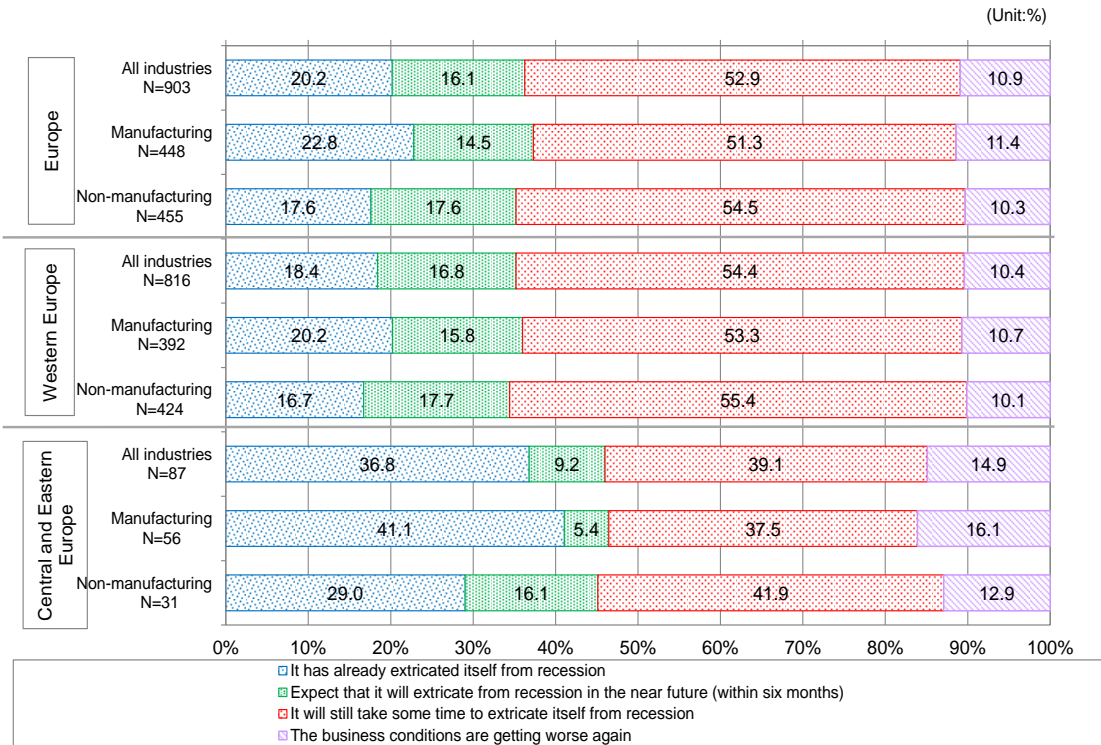
Reasons for a sales decrease

"All industries"			"Manufacturing"			"Non-manufacturing"		
	Responses	%	Responses	%	Responses	%		
1	Decrease of demand in your country market	174	65.2	90	65.2	84	65.1	
2	Decrease of demand outside your country market	75	28.1	43	31.2	32	24.8	
3	Rise of a competitor(s) in your country	57	21.3	30	21.7	27	20.9	
4	Fall of price of your products or service	51	19.1	25	18.1	26	20.2	
5	Deterioration of sales system	26	9.7	12	8.7	14	10.9	

- Sales forecasts for 2015 trended upwards. In particular, when it came to manufacturing industries in Central and Eastern Europe, with 80.4% of respondents in this sector choosing "Increase."
- The most popular reason given for rising sales was "Increase of demand in your country market," followed by "Improvement of sales system" and "Improvement of quality of your products or service."

II. Future of the European Economy (1)

Fig. 11 Views on the future of the European economy



- When asked about the future of the European economy, 20.2% of respondents replied that “It has already extricated itself from recession,” up 8.3 points from the previous survey.
- At 52.9%, the most common reply was that “It will still take some time to extricate itself from recession,” with many respondents adopting a cautious view on the issue.
- When it came to manufacturing industries in Central and Eastern Europe, 41.1% of respondents said “It has already extricated itself from recession.”

II. Future of the European Economy (2)

Fig. 12 Views on the future of the European economy (by industry)

"It has already extricated itself from recession"

(Units: cos., %)

	Industry	Responses	%
1	Medical devices	5	41.7
2	Real estate	2	40.0
3	Banking	5	38.5
4	Motor vehicle and motorcycle parts and accessories	20	33.3
4	Plastic products	5	33.3
4	Rubber products	4	33.3

"Expect that it will extricate from recession in the near future (within six months)"

(Units: cos., %)

	Industry	Responses	%
1	Communications/software	9	39.1
2	Ceramic/stone/clay	2	28.6
3	Insurance	5	22.7
4	Trading company	15	21.7
5	General machinery (including metal molds and machine tools)	10	20.0

"It will still take some time to extricate itself from recession"

(%)

	Industry	Responses	%
1	Securities	6	85.7
2	Hotel/travel/restaurant	12	75.0
3	Insurance	15	68.2
4	Distribution	4	66.7
5	Precision equipment	9	64.3

"The business conditions are getting worse again"

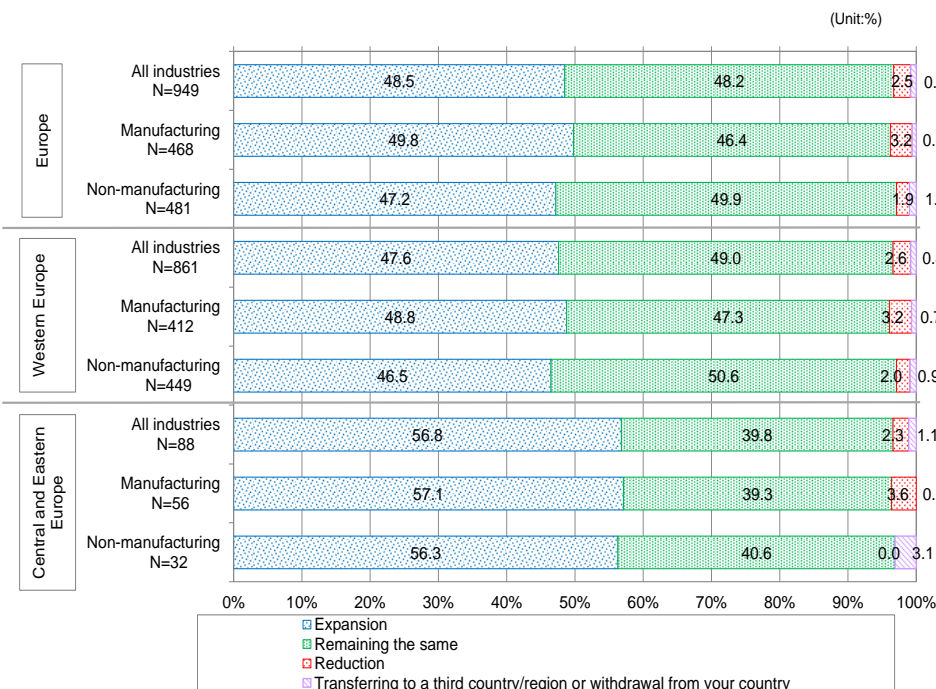
(%)

	Industry	Responses	%
1	Fabricated metal products (including plated products)	3	23.1
2	Real estate	1	20.0
2	Construction/plants	1	20.0
4	Medical devices	2	16.7
4	Distribution	1	16.7

- With regards to the future of the European economy, the percentage of replies that "It has already extricated itself from recession" was high when it came to industries like "Medical devices", "Real estate" and "Banking."
- However, the percentage of replies that "It will still take some time to extricate itself from recession" was high in the "Securities," "Hotel/travel/restaurant" and "Insurance" sectors.

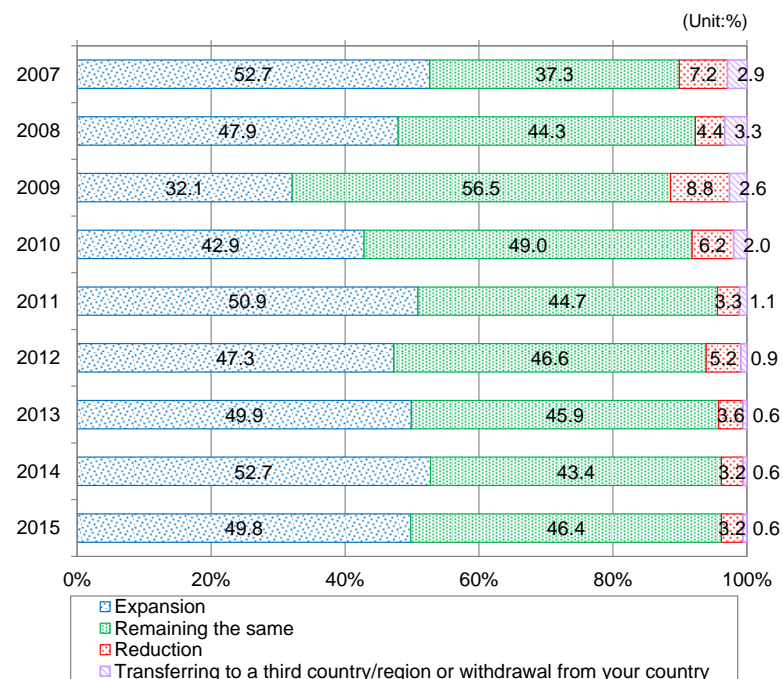
II. Business Outlook in the Next One or Two Years (1)

Fig. 13 Business outlook in the next one or two years



Note: "Your country" refers to the country in which the respondent's company is located.

Fig. 14 [Manufacturing industry] Business outlook in the next one or two years



This survey only covered manufacturing industries up until fiscal 2011, so only manufacturing industries can be compared when analysing past data.

- When it came to business outlook in the next one or two years, 48.5% of respondents chose the answer "Expansion, while 48.2% chose "Remaining the same," 2.5% chose "Reduction" and 0.8% chose "Transferring to a third country/region or withdrawal from your country."
- 49.8% of responders in manufacturing industries chose "Expansion," down 2.9 points on 2014's figure of 52.7%.

II. Business Outlook in the Next One or Two Years (2)

Fig. 15 Industries with large numbers of respondents reporting future outlooks of “Expansion” or “Remaining the same” in the next one or two years

“Expansion”

[Europe]		(Units: cos., %)	
	Industry	Responses	%
1	Real estate	5	100.0
2	Medical devices	10	76.9
3	Ceramic/stone/clay	6	75.0
4	Chemicals/petroleum products	30	65.2
5	Fabricated metal products (including plated products)	8	61.5

[Western Europe]		(Units: cos., %)	
	Industry	Responses	%
1	Real estate	5	100.0
2	Medical devices	10	76.9
3	Ceramic/stone/clay	5	71.4
4	Chemicals/petroleum products	28	65.1
5	General machinery (including metal molds and machine tools)	29	59.2

[Central/Eastern Europe]		(Units: cos., %)	
	Industry	Responses	%
1	Sales company	9	64.3
2	Motor vehicle and motorcycle parts and accessories	10	47.6
3	Trading company	4	44.4
4	Rubber products	2	40.0

“Remaining the same”

[Europe]		(Units: cos., %)	
	Industry	Responses	%
1	Motor vehicle and motorcycle parts and accessories	40	66.7
1	Securities	6	66.7
3	Construction/plants	3	60.0
4	Transport/warehousing	35	59.3
5	Rubber products	7	58.3

[Western Europe]		(Units: cos., %)	
	Industry	Responses	%
1	Motor vehicle and motorcycle parts and accessories	30	76.9
2	Securities	6	66.7
3	Communications/software	13	59.1
4	Transport/warehousing	33	58.9
5	Rubber products	4	57.1

[Central/Eastern Europe]		(Units: cos., %)	
	Industry	Responses	%
1	Rubber products	3	60.0
2	Trading company	5	55.6
3	Motor vehicle and motorcycle parts and accessories	10	47.6
4	Sales company	5	35.7

- The number of respondents replying “Expansion” was particularly high when it came to the “Real estate”, “Medical devices” and “Ceramic/stone/clay” sectors in Western Europe and the “Sales company”, “Motor vehicle and motorcycle parts and accessories” and “Trading company” sectors in Central and Eastern Europe.

II. Business Outlook in the Next One or Two Years (3)

Fig. 16 Specific functions being expanded (multiple answers)

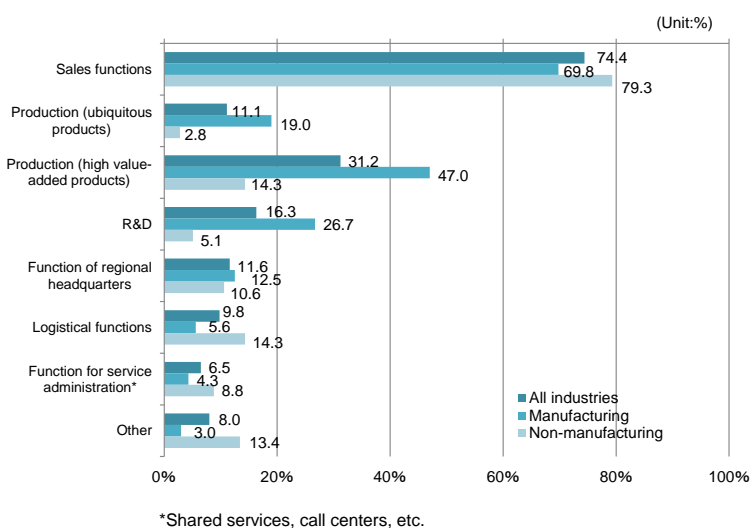


Fig. 17 Reason for expecting business to expand business in the next one or two years (multiple answers)

"All industries"			"Manufacturing"			"Non-manufacturing"		
	Responses	(Units: cos., %)		Responses	(Units: cos., %)		Responses	(Units: cos., %)
1	Sales increase	384 84.6	1	Sales increase	202 87.4	1	Sales increase	182 81.6
2	High growth potential	186 41.0	2	High receptivity for high value-added products	94 40.7	2	High growth potential	105 47.1
3	High receptivity for high value-added products	140 30.8	3	High growth potential	81 35.1	3	High receptivity for high value-added products	46 20.6
4	Reviewing production and distribution networks	82 18.1	4	Reviewing production and distribution networks	44 19.0	4	Reviewing production and distribution networks	38 17.0
5	Relationship with clients	73 16.1	5	Reduction of costs (e.g., procurement/labor costs)	37 16.0	5	Relationship with clients	37 16.6

Fig. 18 Reasons for business reduction or transferring to a third country/region or withdrawal in the next one or two years (multiple answers)

"All industries"			"Manufacturing"			"Non-manufacturing"		
	Responses	(Units: cos., %)		Responses	(Units: cos., %)		Responses	(Units: cos., %)
1	Sales decrease	20 64.5	1	Sales decrease	12 66.7	1	Sales decrease	8 61.5
2	Low growth potential	10 32.3	2	Low growth potential	7 38.9			
3	Increase of costs (e.g., procurement costs, labor costs)	5 16.1						
3	Reviewing production and distribution networks	5 16.1						

- When it came to specific functions being expanded, "Sales functions" was given as the most common answer in both manufacturing and non-manufacturing industries.
- Close to half of all respondents in manufacturing industries chose "Production (high value-added products)."
- "Sales increase" was given as the most common answer why respondents were expecting business to expand, followed by "High growth potential." "High receptivity for high value-added products" was a popular answer among respondents in manufacturing industries.

III. Promising Future Sales Destinations (1)

Fig. 19 Promising future sales destinations (by country and region)

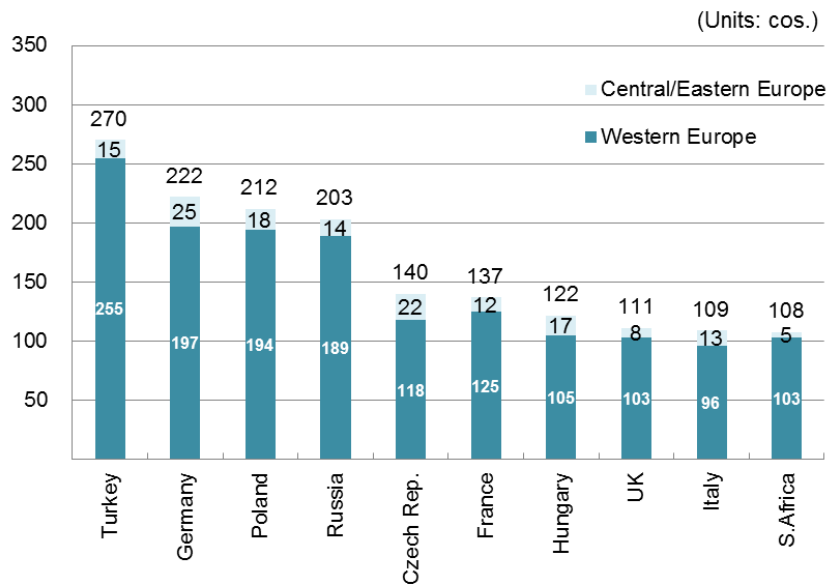
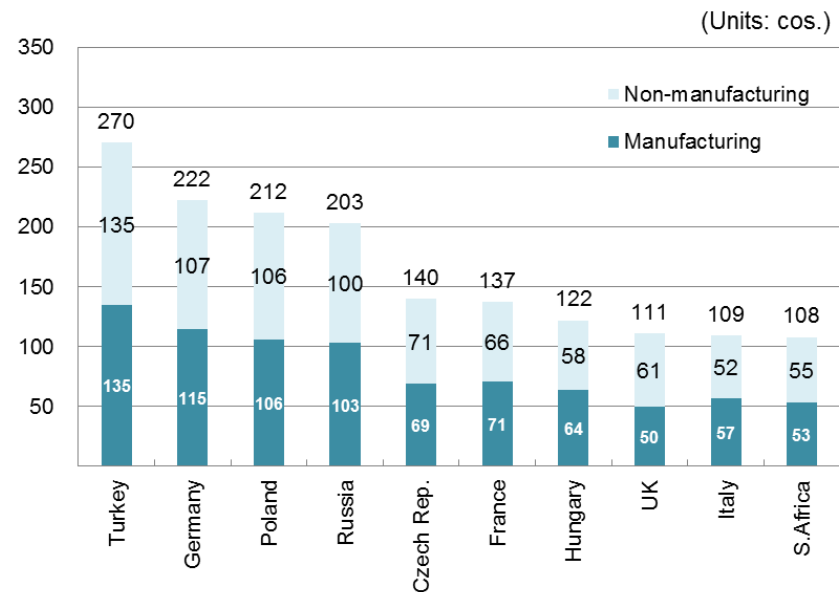


Fig. 20 Promising future sales destinations (by industry)



- Turkey was the most common answer, just like in the previous survey. Russia dropped from second place in the previous survey to fourth place on concerns about currency instability and so on.
- As for countries within Europe, Germany rose to second place and Poland to third place. This seems to be due to a rise in domestic demand since 2014.

III. Promising Future Sales Destinations (2)

Fig. 21 Reasons for choosing future sales destinations (multiple answers)

Reasons for choosing countries in Middle East (Units: cos., %)

		Responses	%
1	It is a country where sales growth is expected.	266	79.2
2	Existing clients have bases in the country/region.	92	27.4
3	New clients have been found in the country/region.	52	15.5

Reasons for choosing countries in Western Europe (Units: cos., %)

		Responses	%
1	It is a country where sales growth is expected.	193	45.4
2	Good receptivity of high value-added products/services.	141	33.2
3	Existing clients have bases in the country/region.	131	30.8

Reasons for choosing countries in Central/Eastern Europe (Units: cos., %)

		Responses	%
1	It is a country where sales growth is expected.	211	65.5
2	Existing clients have bases in the country/region.	99	30.7
3	New clients have been found in the country/region.	55	17.1

Reasons for choosing countries in Russia/CIS (Units: cos., %)

		Responses	%
1	It is a country where sales growth is expected.	129	64.5
2	Existing clients have bases in the country/region.	51	25.5
3	Good receptivity of high value-added products/services.	34	17.0

Reasons for choosing countries in Africa (Units: cos., %)

		Responses	%
1	It is a country where sales growth is expected.	159	72.3
2	Existing clients have bases in the country/region.	61	27.7
3	New clients have been found in the country/region.	37	16.8

Reasons for choosing other countries (Units: cos., %)

		Responses	%
1	It is a country where sales growth is expected.	169	69.8
2	Good receptivity of high value-added products/services.	72	29.8
3	Existing clients have bases in the country/region.	71	29.3

- When it came to why an area was promising, “It is a country where sales growth is expected” was the most common answer for all regions
- While mentioning existing clients, many respondents who chose the Middle East, Central and Eastern Europe and Africa also said this was because “New clients have been found in the country/region”
- Many Respondents who chose Western Europe or Russia/CIS countries said this was because of “Good receptivity of high value-added products/services.”

III. Changes in the Number of Employees

Fig. 22 Changes in the number of local employees this year compared to last year and for future plans

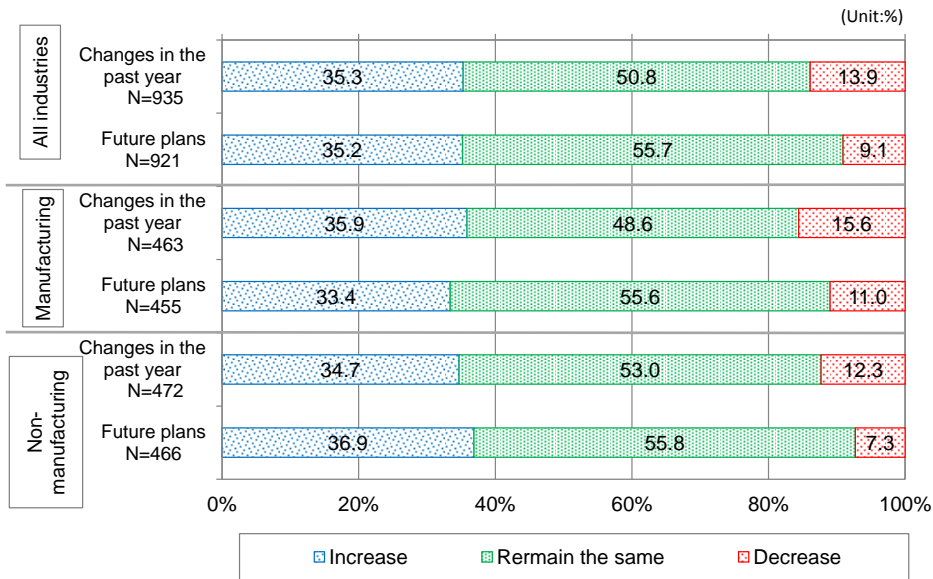
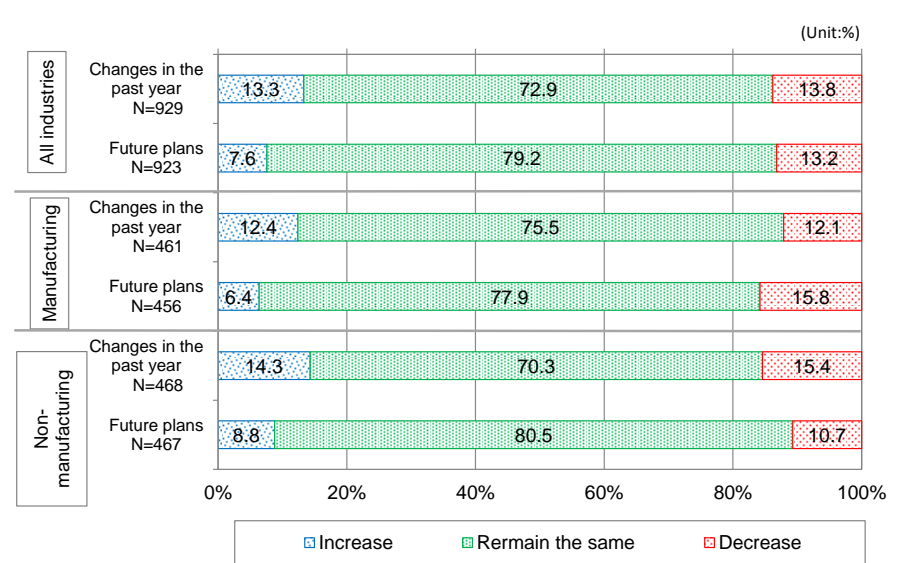


Fig. 23 Changes in the number of Japanese expatriates this year compared to last year and for future plans



■ With regards to the number of local employees and the number of Japanese expatriates, “Remain the same” was the most common answer when it came to both changes over the past year and future plans.

IV. Challenges in Management (1)

Fig. 24 Challenges in management (multiple answers)

"All industries" (Units: cos., %)

		Responses	%
1	High labor costs	404	45.2
2	Securing human resources	388	43.4
3	Transfer pricing taxation	320	35.8
4	European political and social conditions	313	35.0
5	Exchange rate fluctuations	307	34.3
6	Lower prices offered by competitors	292	32.7
7	Stringent dismissal laws	278	31.1
8	Entry of new competitors	268	30.0
9	Economic slowdown, market contraction	248	27.7
10	Visa/work permits	238	26.6

"Manufacturing" (Units: cos., %)

		Responses	%
1	High labor costs	212	47.5
2	Securing human resources	199	44.6
3	Lower prices offered by competitors	182	40.8
4	Exchange rate fluctuations	175	39.2
5	Transfer pricing taxation	173	38.8
6	European political and social conditions	147	33.0
7	Entry of new competitors	140	31.4
8	Stringent dismissal laws	130	29.1
9	Procurement costs	125	28.0
9	Economic slowdown, market contraction	125	28.0

"Non-manufacturing" (Units: cos., %)

		Responses	%
1	High labor costs	192	42.9
2	Securing human resources	189	42.2
3	European political and social conditions	166	37.1
4	Stringent dismissal laws	148	33.0
5	Transfer pricing taxation	147	32.8
6	Visa/work permits	135	30.1
7	Exchange rate fluctuations	132	29.5
8	Entry of new competitors	128	28.6
9	Economic slowdown, market contraction	123	27.5
10	Quality of workforce	111	24.8

- At 45.2%, “High labor costs” was given as the main challenge facing management (up 0.2 points from last year). This applied to respondents in manufacturing industries (47.5%; up 1.2 points) and non-manufacturing industries (42.9%; up 0.8 points).
- This was followed by “Securing human resources” at 43.4% (up 0.7 points) and “Transfer pricing taxation” at 35.8% (up 0.5 points)
- At 35.0% (up 9.8 points from last year), “European political and social conditions” broke into the ranks of the main challenges facing management.

IV. Challenges in Management (2)

Fig. 25 [Western Europe] Challenges in management (multiple answers)

"All industries"				"Manufacturing"				"Non-manufacturing"			
		(Units: cos., %)				(Units: cos., %)				(Units: cos., %)	
		Responses	%			Responses	%			Responses	%
1	High labor costs	394	48.6	1	High labor costs	204	52.2	1	High labor costs	190	45.2
2	Securing human resources	333	41.1	2	Lower prices offered by competitors	161	41.2	2	Securing human resources	174	41.4
3	Transfer pricing taxation	289	35.6	3	Securing human resources	159	40.7	3	European political and social conditions	157	37.4
4	European political and social conditions	286	35.3	4	Exchange rate fluctuations	156	39.9	4	Stringent dismissal laws	143	34.0
5	Exchange rate fluctuations	278	34.3	5	Transfer pricing taxation	149	38.1	5	Transfer pricing taxation	140	33.3
6	Stringent dismissal laws	265	32.7	6	European political and social conditions	129	33.0	6	Exchange rate fluctuations	122	29.0
7	Lower prices offered by competitors	260	32.1	7	Entry of new competitors	123	31.5	7	Visa/work permits	121	28.8
8	Entry of new competitors	239	29.5	8	Stringent dismissal laws	122	31.2	8	Economic slowdown, market contraction	117	27.9
9	Economic slowdown, market contraction	227	28.0	9	Procurement costs	111	28.4	9	Entry of new competitors	116	27.6
10	Heavy social security burdens	208	25.6	10	Economic slowdown, market contraction	110	28.1	10	Quality of workforce	104	24.8
11	Visa/work permits	203	25.0	11	Heavy social security burdens	105	26.9	11	Heavy social security burdens	103	24.5
12	Quality of workforce	197	24.3	12	Quality of workforce	93	23.8	12	Lower prices offered by competitors	99	23.6
13	High labor cost growth rate	146	18.0	13	REACH	86	22.0	13	High labor cost growth rate	71	16.9
13	Procurement costs	146	18.0	14	Visa/work permits	82	21.0	14	Frequent investment legislation revisions	63	15.0
15	REACH	145	17.9	15	High labor cost growth rate	75	19.2	15	Procedures for VAT refunds are complex and/or lack transparency	62	14.8
16	Better quality of products offered by competitors	128	15.8	16	Deliveries	74	18.9	16	REACH	59	14.0
17	Deliveries	115	14.2	17	Better quality of products offered by competitors	72	18.4	17	Better quality of products offered by competitors	56	13.3
18	Frequent investment legislation revisions	109	13.4	18	Union activities/strike	54	13.8	18	Collection of receivables	52	12.4
19	Procedures for VAT refunds are complex and/or lack transparency	106	13.1	18	Quality	54	13.8	19	Change in tax rate	47	11.2
20	Collection of receivables	101	12.5	20	Collection of receivables	49	12.5	20	Customs clearance issues	43	10.2

- In Western Europe, "High labor costs" was given as the main challenge facing respondents in both manufacturing and non-manufacturing industries.
- In manufacturing industries, this was followed by "Lower prices offered by competitors" and "Securing human resources."
- In non-manufacturing industries, it was followed by "Securing human resources" and "European political and social conditions."

IV. Challenges in Management (3)

Fig. 26 Challenges in management in leading Western European countries (multiple answers)

"Manufacturing"

UK		(%)	Germany		(%)	France		(%)
1	Exchange rate fluctuations	58.9	1	High labor costs	52.0	1	High labor costs	58.6
2	High labor costs	51.4	2	Transfer pricing taxation	44.9	2	Heavy social security burdens	48.3
3	Securing human resources	45.8	2	Lower prices offered by competitors	44.9	2	Stringent dismissal laws	48.3
4	Lower prices offered by competitors	38.3	2	European political and social conditions	44.9	4	Transfer pricing taxation	43.1
5	Procurement costs	34.6	5	Securing human resources	41.8	5	Union activities/strike	41.4
6	Transfer pricing taxation	33.6	6	Exchange rate fluctuations	38.8	6	Lower prices offered by competitors	39.7
7	Entry of new competitors	29.0	7	Entry of new competitors	35.7	7	Securing human resources	34.5
7	European political and social conditions	29.0	8	Procurement costs	29.6	8	Entry of new competitors	31.0
9	Visa/work permits	28.0	9	High labor cost growth rate	27.6	9	Procurement costs	29.3
9	Stringent dismissal laws	28.0	9	Economic slowdown, market contraction	27.6	10	Visa/work permits	25.9
11	Economic slowdown, market contraction	25.2	11	Stringent dismissal laws	26.5	11	Quality	24.1
12	High labor cost growth rate	22.4	12	REACH	24.5	11	REACH	24.1
13	Quality of workforce	21.5	13	Better quality of products offered by competitors	23.5	13	Exchange rate fluctuations	22.4
14	REACH	19.6	14	Quality of workforce	20.4	13	Deliveries	22.4
15	The impact (on business) of discussions about leaving the EU or the eurozone	18.7	15	Heavy social security burdens	19.4	13	European political and social conditions	22.4
16	Deliveries	17.8	15	Deliveries	19.4	13	Economic slowdown, market contraction	22.4
16	Better quality of products offered by competitors	17.8	17	Procedures for VAT refunds are complex and/or lack transparency	18.4	17	Quality of workforce	20.7
18	Heavy social security burdens	15.0	18	Frequent investment legislation revisions	16.3	18	Frequent investment legislation revisions	15.5
19	Quality	14.0	18	Rising energy costs	16.3	18	Better quality of products offered by competitors	15.5
20	Customs clearance issues	12.1	20	Customs clearance issues	14.3	20	High labor cost growth rate	12.1
						20	Collection of receivables	12.1

"Non-manufacturing"

UK		(%)	Germany		(%)	France		(%)
1	Visa/work permits	45.4	1	Securing human resources	50.0	1	Heavy social security burdens	59.3
2	Securing human resources	42.1	2	High labor costs	45.7	2	Stringent dismissal laws	59.3
3	High labor costs	40.1	3	Transfer pricing taxation	43.6	3	High labor costs	55.6
4	European political and social conditions	39.5	4	Entry of new competitors	38.3	4	Visa/work permits	37.0
5	Exchange rate fluctuations	29.6	5	Stringent dismissal laws	37.2	5	Transfer pricing taxation	33.3
6	Transfer pricing taxation	28.9	5	European political and social conditions	37.2	5	Securing human resources	33.3
7	Quality of workforce	24.3	7	Exchange rate fluctuations	36.2	5	Economic slowdown, market contraction	33.3
8	Stringent dismissal laws	23.0	8	Lower prices offered by competitors	29.8	8	Quality of workforce	29.6
9	Economic slowdown, market contraction	21.7	9	Economic slowdown, market contraction	27.7	8	Entry of new competitors	29.6
10	Frequent investment legislation revisions	19.7	10	Quality of workforce	26.6	8	European political and social conditions	29.6
11	High labor cost growth rate	19.1	11	Procedures for VAT refunds are complex and/or lack transparency	25.5	11	Exchange rate fluctuations	25.9
12	Entry of new competitors	18.4	12	REACH	23.4	12	Complicated administrative tax procedures and/or lack of transparency	22.2
12	Lower prices offered by competitors	18.4	13	Heavy social security burdens	19.1	12	Lower prices offered by competitors	22.2
14	Heavy social security burdens	17.8	14	Collection of receivables	18.1	14	Union activities/strike	18.5
15	Change in tax rate	15.1	15	High labor cost growth rate	17.0	14	Communications	18.5
16	The impact (on business) of discussions about leaving the EU or the eurozone	13.8	15	Better quality of products offered by competitors	17.0	14	REACH	18.5
17	Better quality of products offered by competitors	12.5	17	Customs clearance issues	16.0	17	Better quality of products offered by competitors	14.8
17	Real estate bubble/steep rise in land prices	12.5	18	Deliveries	14.9	18	Customs clearance issues	11.1
19	Procurement costs	10.5	19	Frequent investment legislation revisions	12.8	18	Frequent investment legislation revisions	11.1
20	Customs clearance issues	9.9	20	The impact (on business) of discussions about leaving the EU or the eurozone	11.7	18	Complicated administrative investment procedures and/or lack of transparency	11.1
						18	Collection of receivables	11.1
						18	RoHS	11.1

IV. Challenges in Management (4)

Fig. 27 [Central and Eastern Europe] Challenges in management (multiple answers)

"All industries"				"Manufacturing"				"Non-manufacturing"			
		(Units: cos., %)				(Units: cos., %)				(Units: cos., %)	
		Responses	%			Responses	%			Responses	%
1	Securing human resources	55	66.3	1	Securing human resources	40	72.7	1	Securing human resources	15	53.6
2	Visa/work permits	35	42.2	2	Transfer pricing taxation	24	43.6	2	Visa/work permits	14	50.0
3	Lower prices offered by competitors	32	38.6	2	Shortage of domestic procurement sources	24	43.6	3	Entry of new competitors	12	42.9
4	Transfer pricing taxation	31	37.3	4	Quality of workforce	22	40.0	4	Lower prices offered by competitors	11	39.3
5	Quality of workforce	29	34.9	5	Visa/work permits	21	38.2	5	Exchange rate fluctuations	10	35.7
5	Exchange rate fluctuations	29	34.9	5	Lower prices offered by competitors	21	38.2	6	Frequent investment legislation revisions	9	32.1
5	Entry of new competitors	29	34.9	7	Quality	20	36.4	6	Highways	9	32.1
8	European political and social conditions	27	32.5	8	Exchange rate fluctuations	19	34.5	6	European political and social conditions	9	32.1
9	Shortage of domestic procurement sources	26	31.3	9	European political and social conditions	18	32.7	9	Transfer pricing taxation	7	25.0
10	High labor cost growth rate	24	28.9	10	High labor cost growth rate	17	30.9	9	Change in tax rate	7	25.0
11	Frequent investment legislation revisions	23	27.7	10	Entry of new competitors	17	30.9	9	High labor cost growth rate	7	25.0
12	Quality	22	26.5	12	Economic slowdown, market contraction	15	27.3	9	Quality of workforce	7	25.0
13	Economic slowdown, market contraction	21	25.3	13	Frequent investment legislation revisions	14	25.5	9	General road conditions	7	25.0
14	Highways	20	24.1	13	Procurement costs	14	25.5	14	Deliveries	6	21.4
15	Complicated administrative foreign trade procedures and/or lack of transparency	18	21.7	15	Complicated administrative foreign trade procedures and/or lack of transparency	13	23.6	14	Economic slowdown, market contraction	6	21.4
15	Procurement costs	18	21.7	16	Power supply	12	21.8	16	Complicated administrative foreign trade procedures and/or lack of transparency	5	17.9
17	Deliveries	17	20.5	17	Procedures for VAT refunds are complex and/or lack transparency	11	20.0	16	Stringent dismissal laws	5	17.9
18	General road conditions	16	19.3	17	Deliveries	11	20.0	18	Procurement costs	4	14.3
19	Procedures for VAT refunds are complex and/or lack transparency	14	16.9	17	Highways	11	20.0	18	Better quality of products offered by competitors	4	14.3
20	Stringent dismissal laws	13	15.7	20	REACH	10	18.2	18	Railways	4	14.3

- In Central and Eastern Europe, "Securing human resources" was given as the main challenge in both the manufacturing and non-manufacturing industries.
- In manufacturing industries, this was followed by "Transfer pricing taxation" and "Shortage of domestic procurement sources."
- In non-manufacturing industries, it was followed by "Visa/work permits" and "Entry of new competitors."

IV. Challenges in Management (5)

Fig. 28 Challenges in management in leading countries of the region of Central and Eastern Europe (multiple answers)

Manufacturing

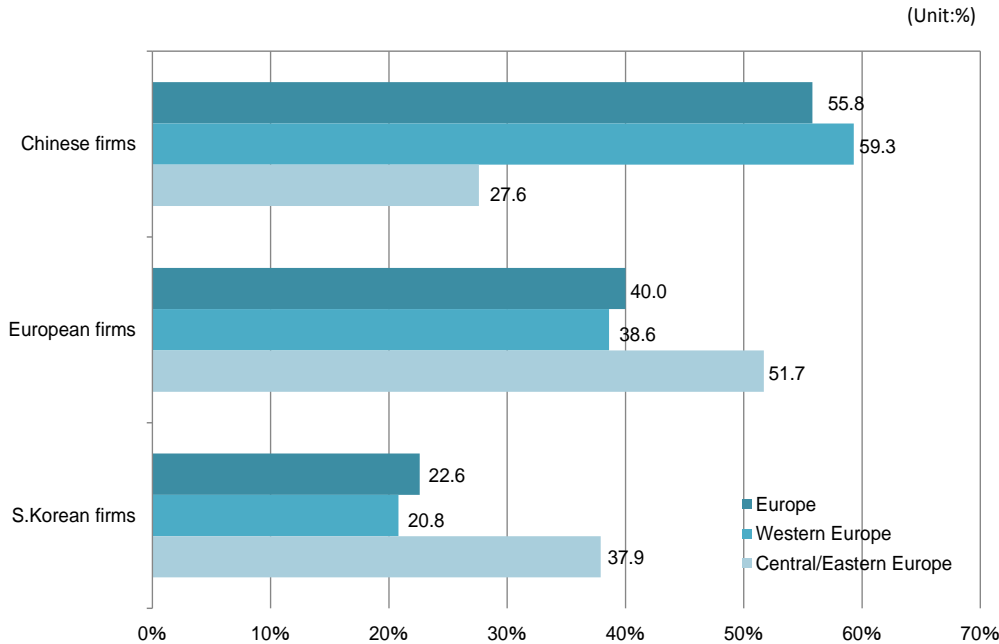
Poland		(%)	Hungary		(%)	Czech Rep.		(%)
1	Visa/work permits	66.7	1	Securing human resources	100.0	1	Securing human resources	72.2
2	Securing human resources	55.6	2	Shortage of domestic procurement sources	58.3	2	Transfer pricing taxation	66.7
3	Transfer pricing taxation	44.4	2	Lower prices offered by competitors	58.3	3	Visa/work permits	55.6
3	Lower prices offered by competitors	44.4	4	Quality of workforce	50.0	3	High labor cost growth rate	55.6
5	Quality	33.3	4	Exchange rate fluctuations	50.0	5	Quality of workforce	44.4
5	Shortage of domestic procurement sources	33.3	6	Frequent investment legislation revisions	41.7	5	Exchange rate fluctuations	44.4
5	Entry of new competitors	33.3	7	Complicated administrative foreign trade procedures and/or lack of transparency	33.3	7	Procurement costs	38.9
5	Power supply	33.3	7	Transfer pricing taxation	33.3	7	Shortage of domestic procurement sources	38.9
5	Economic slowdown, market contraction	33.3	7	Quality	33.3	9	Frequent investment legislation revisions	33.3
10	Complicated administrative foreign trade procedures and/or lack of transparency	22.2	7	Entry of new competitors	33.3	9	Procedures for VAT refunds are complex and/or lack transparency	33.3
10	REACH	22.2	7	Economic slowdown, market contraction	33.3	9	Quality	33.3
10	European political and social conditions	22.2	12	Complicated administrative tax procedures and/or lack of transparency	25.0	9	European political and social conditions	33.3
13	Frequent investment legislation revisions	11.1	12	High labor cost growth rate	25.0	13	Deliveries	27.8
13	Other (labor problem)	11.1	12	Deliveries	25.0	13	Entry of new competitors	27.8
13	High labor costs	11.1	12	Rising energy costs	25.0	13	REACH	27.8
13	High labor cost growth rate	11.1	16	Procedures for VAT refunds are complex and/or lack transparency	16.7	16	Heavy social security burdens	22.2
13	Stringent dismissal laws	11.1	16	Stringent dismissal laws	16.7	16	Union activities/strike	22.2
13	Union activities/strike	11.1	16	Procurement costs	16.7	16	Lower prices offered by competitors	22.2
13	Other	11.1	16	General road conditions	16.7	16	Highways	22.2
13	Exchange rate fluctuations	11.1	16	Power supply	16.7	16	Power supply	22.2
13	Procurement costs	11.1	16	REACH	16.7			
13	Better quality of products offered by competitors	11.1	16	European political and social conditions	16.7			
13	General road conditions	11.1						
13	Highways	11.1						
13	WEEE	11.1						
13	RoHS	11.1						
13	EU-ETS	11.1						
13	Low birth rates/aging of society	11.1						

Non-manufacturing

Poland		(%)	Hungary		(%)	Czech Rep.		(%)
1	Securing human resources	57.1	1	Securing human resources	66.7	1	Visa/work permits	88.9
1	Lower prices offered by competitors	57.1	2	Frequent investment legislation revisions	50.0	2	Securing human resources	55.6
1	Highways	57.1	2	Quality of workforce	50.0	2	Exchange rate fluctuations	55.6
4	Exchange rate fluctuations	42.9	2	Entry of new competitors	50.0	2	Entry of new competitors	55.6
4	European political and social conditions	42.9	5	Complicated administrative foreign trade procedures and/or lack of transparency	33.3	5	Frequent investment legislation revisions	44.4
6	Visa/work permits	28.6	5	Transfer pricing taxation	33.3	5	Lower prices offered by competitors	44.4
6	Transfer pricing taxation	28.6	5	Change in tax rate	33.3	5	European political and social conditions	44.4
6	Change in tax rate	28.6	5	Heavy social security burdens	33.3	8	Transfer pricing taxation	33.3
6	High labor cost growth rate	28.6	5	Exchange rate fluctuations	33.3	8	Change in tax rate	33.3
6	Stringent dismissal laws	28.6	5	Economic slowdown, market contraction	33.3	8	High labor cost growth rate	33.3
6	Entry of new competitors	28.6	11	Visa/work permits	16.7	8	Procurement costs	33.3
6	General road conditions	28.6	11	Complicated administrative procedures and/or lack of	16.7	8	Deliveries	33.3
6	Communications	28.6	11	Procedures for VAT refunds are complex and/or lack transparency	16.7	8	Better quality of products offered by competitors	33.3
14	Customs clearance issues	14.3	11	High labor cost growth rate	16.7	8	Highways	33.3
14	Complicated administrative foreign trade procedures and/or lack of transparency	14.3	11	Stringent dismissal laws	16.7	8	Economic slowdown, market contraction	33.3
14	Complicated administrative tax procedures and/or lack of transparency	14.3	11	Collection of receivables	16.7	16	Procedures for VAT refunds are complex and/or lack transparency	22.2
14	Quality of workforce	14.3	11	Deliveries	16.7	16	Quality of workforce	22.2
14	Other (labor problem)	14.3	11	General road conditions	16.7	16	Shortage of domestic procurement sources	22.2
14	Collection of receivables	14.3	11	REACH	16.7	16	General road conditions	22.2
14	Quality	14.3	11	European political and social conditions	16.7	16	Concerns about deflation	22.2
14	Procurement costs	14.3						
14	Deliveries	14.3						
14	Better quality of products offered by competitors	14.3						
14	Railways	14.3						
14	RoHS	14.3						
14	Real estate bubble/steep rise in land prices	14.3						
14	Natural disasters (earthquakes, floods, etc.)	14.3						
14	Rising energy costs	14.3						

IV. Challenges in Management (6)

Fig. 29 Nationalities of new competitors



Top three industries choosing "Chinese firms" (Units: cos.)

		Responses
1	Sales company	31
2	Chemicals and Petroleum products	13
2	Trading company	13

Top three industries choosing "European firms" (Units: cos.)

		Responses
1	Sales company	21
2	Transport/warehousing	13
3	Other non-manufacturing	9

Top three industries choosing "S. Korean firms" (Units: cos.)

		Responses
1	Sales company	13
2	Chemicals and Petroleum products	7
3	Electric machinery/electronic hardware	5
3	Electric/electronic parts and components	5

- When respondents across all industries who cited "Entry of new competitors" as a challenge in management (30.0%, see Fig. 24) were asked the specific nationalities of these new competitors, the top answer given was "Chinese firms" at 55.8% (down 2.4 points from last year). This was followed by "European firms" at 40.0% (up 11.5 points) and "S. Korean firms" at 22.6% (down 5.2 points) As this suggests, European firms are regaining their competitiveness.
- Many respondents in the "Sales company" and "Chemicals and Petroleum products" sectors chose "Chinese firms" and "S. Korean firms" as new competitors. "European firms" was the number two answer given by respondents in the "Transport/warehousing" sector.

IV. Localization of Management (1)

Fig. 30 Initiatives for promoting the localization of management (multiple answers)

"All industries" (Units: cos., %)

		Responses	Percentage
1	Enhancing training and education for local human resources with an awareness of localization	455	48.9
2	Appointing local human resources (department and section heads, store managers)	425	45.7
3	Mid-career recruitment of local human resources that will serve as ready assets with an awareness of localization	360	38.7
4	Appointing local human resources (executive-level)	260	28.0
5	Strengthening local development capabilities for products and services	244	26.2
6	Revising meritocratic and other personnel systems with an awareness of localization	178	19.1
7	Enhancing decision-making authority for sales strategies in local regions	156	16.8
8	Transferring authority from head offices to local regions	143	15.4
9	Not taking any initiatives for localization	121	13.0
10	Acquiring human and managerial resources through M&A	68	7.3

■ With regards to initiatives for promoting the localization of management, the most common answer given was “Enhancing training and education for local human resources with an awareness of localization” at 48.9%. This was followed by “Appointing local human resources (department and section heads, store managers)” at 45.7%. Initiatives involving local human resources topped the list.

"Manufacturing" (Units: cos., %)

		Responses	Percentage
1	Appointing local human resources (department and section heads, store managers)	241	52.4
2	Enhancing training and education for local human resources with an awareness of localization	236	51.3
3	Mid-career recruitment of local human resources that will serve as ready assets with an awareness of localization	180	39.1
4	Appointing local human resources (executive-level)	159	34.6
5	Strengthening local development capabilities for products and services	151	32.8
6	Enhancing decision-making authority for sales strategies in local regions	91	19.8
7	Revising meritocratic and other personnel systems with an awareness of localization	76	16.5
8	Transferring authority from head offices to local regions	75	16.3
9	Not taking any initiatives for localization	42	9.1
10	Acquiring human and managerial resources through M&A	27	5.9

"Non-manufacturing" (Units: cos., %)

		Responses	Percentage
1	Enhancing training and education for local human resources with an awareness of localization	219	46.6
2	Appointing local human resources (department and section heads, store managers)	184	39.1
3	Mid-career recruitment of local human resources that will serve as ready assets with an awareness of localization	180	38.3
4	Revising meritocratic and other personnel systems with an awareness of localization	102	21.7
5	Appointing local human resources (executive-level)	101	21.5
6	Strengthening local development capabilities for products and services	93	19.8
7	Not taking any initiatives for localization	79	16.8
8	Transferring authority from head offices to local regions	68	14.5
9	Enhancing decision-making authority for sales strategies in local regions	65	13.8
10	Acquiring human and managerial resources through M&A	41	8.7

IV. Localization of Management (2)

Fig. 31 Challenges for promoting the localization of management (multiple answers)

"All industries" (Units: cos., %)

		Responses	%
1	(Issue at local office) Capabilities and consciousness on the part of local human resources	367	39.8
2	(Issue at local office) Difficulty in securing managerial candidates	300	32.6
3	(Issue at head office in Japan) No progress with transferring authority from the head office to local regions	235	25.5
4	(Issue at head office in Japan) Difficulty in reducing the number of Japanese expatriates	187	20.3
5	(Issue at head office in Japan) Language proficiency of Japanese expatriates (English/local language)	181	19.7
6	(Issue at head office in Japan) Management capabilities of Japanese expatriates	164	17.8
7	No particular challenges	158	17.2
8	(Issue at local office) Local planning and marketing capabilities	154	16.7
9	Other issues at the head office in Japan	105	11.4
9	(Issue at local office) A high turnover rate of local managerial candidates	105	11.4

■ With regards to challenges for promoting the localization of management, the most common answer given for local offices was “Capabilities and consciousness on the part of local human resources” (39.8%). As for challenges at head offices in Japan, the most common answer given was “No progress with transferring authority from the head office to local regions” (25.5%).

"Manufacturing" (Units: cos., %)

		Responses	%
1	(Issue at local office) Capabilities and consciousness on the part of local human resources	181	39.4
2	(Issue at local office) Difficulty in securing managerial candidates	147	32.0
3	(Issue at head office in Japan) No progress with transferring authority from the head office to local regions	116	25.3
4	No particular challenges	98	21.4
5	(Issue at head office in Japan) Language proficiency of Japanese expatriates (English/local language)	97	21.1
6	(Issue at head office in Japan) Difficulty in reducing the number of Japanese expatriates	95	20.7
7	(Issue at head office in Japan) Management capabilities of Japanese expatriates	87	19.0
8	(Issue at local office) Local planning and marketing capabilities	78	17.0
9	Other issues at the head office in Japan	65	14.2
10	(Issue at local office) Local product and service development capabilities	58	12.6

"Non-manufacturing" (Units: cos., %)

		Responses	%
1	(Issue at local office) Capabilities and consciousness on the part of local human resources	186	40.3
2	(Issue at local office) Difficulty in securing managerial candidates	153	33.1
3	(Issue at head office in Japan) No progress with transferring authority from the head office to local regions	119	25.8
4	(Issue at head office in Japan) Difficulty in reducing the number of Japanese expatriates	92	19.9
5	(Issue at head office in Japan) Language proficiency of Japanese expatriates (English/local language)	84	18.2
6	(Issue at head office in Japan) Management capabilities of Japanese expatriates	77	16.7
7	(Issue at local office) Local planning and marketing capabilities	76	16.5
8	(Issue at head office in Japan) Shortage of positions to be allocated to local staff	61	13.2
9	No particular challenges	60	13.0
10	(Issue at head office in Japan) Differences with head office policies on hiring	51	11.0
10	(Issue at local office) A high turnover rate of local managerial candidates	51	11.0

IV. Localization of Management (3)

Fig. 32 Initiatives for producing differentiated, high value-added products and services for sale in Europe (multiple answers)

"All industries" (Units: cos., %)

	Responses	%
1 Strengthening R&D sectors	307	37.4
2 Strengthening technical human resource development and hiring more staff, etc.	282	34.4
3 Conducting thoroughgoing research and surveys into competitors	271	33.0
4 Acquisitions of/tie-ups with other firms with advanced technology or the necessary brand names/technology (or examination of such a move)	153	18.7
5 Developing cutting-edge manufacturing bases	144	17.6
6 Enhancing tie-ups with universities/research institutions	133	16.2
7 Enhancing or reviewing, etc. your company's intellectual property strategy	130	15.9
8 Other	76	9.3
9 Utilizing tax structures at the initial stage of R&D (tax deductions related to R&D costs, etc.)	30	3.7
10 Utilizing tax structures related to post-R&D commercial activities (Patent Box system, etc.)	15	1.8

"Manufacturing" (Units: cos., %)

	Responses	%
1 Strengthening R&D sectors	223	51.6
2 Strengthening technical human resource development and hiring more staff, etc.	165	38.2
3 Developing cutting-edge manufacturing bases	125	28.9
4 Conducting thoroughgoing research and surveys into competitors	121	28.0
5 Enhancing tie-ups with universities/research institutions	88	20.4
6 Acquisitions of/tie-ups with other firms with advanced technology or the necessary brand names/technology (or examination of such a move)	73	16.9
7 Enhancing or reviewing, etc. your company's intellectual property strategy	49	11.3
8 Utilizing tax structures at the initial stage of R&D (tax deductions related to R&D costs, etc.)	28	6.5
8 Other	28	6.5
10 Utilizing tax structures related to post-R&D commercial activities (Patent Box system, etc.)	13	3.0

"Non-manufacturing" (Units: cos., %)

	Responses	%
1 Conducting thoroughgoing research and surveys into competitors	150	38.7
2 Strengthening technical human resource development and hiring more staff, etc.	117	30.2
3 Strengthening R&D sectors	84	21.6
4 Enhancing or reviewing, etc. your company's intellectual property strategy	81	20.9
5 Acquisitions of/tie-ups with other firms with advanced technology or the necessary brand names/technology (or examination of such a move)	80	20.6
6 Other	48	12.4
7 Enhancing tie-ups with universities/research institutions	45	11.6
8 Developing cutting-edge manufacturing bases	19	4.9
9 Utilizing tax structures at the initial stage of R&D (tax deductions related to R&D costs, etc.)	2	0.5
9 Utilizing tax structures related to post-R&D commercial activities (Patent Box system, etc.)	2	0.5

■ When it came to initiatives for producing differentiated, high value-added products and services for sale in Europe, "Strengthening R&D sectors" (37.4%) was the most common answer, with over half the respondents in manufacturing industries giving this answer.

V. Use of Bilateral or Multilateral FTAs

Fig. 33 Use of bilateral or multilateral FTAs by firms operating in the EU (multiple answers)

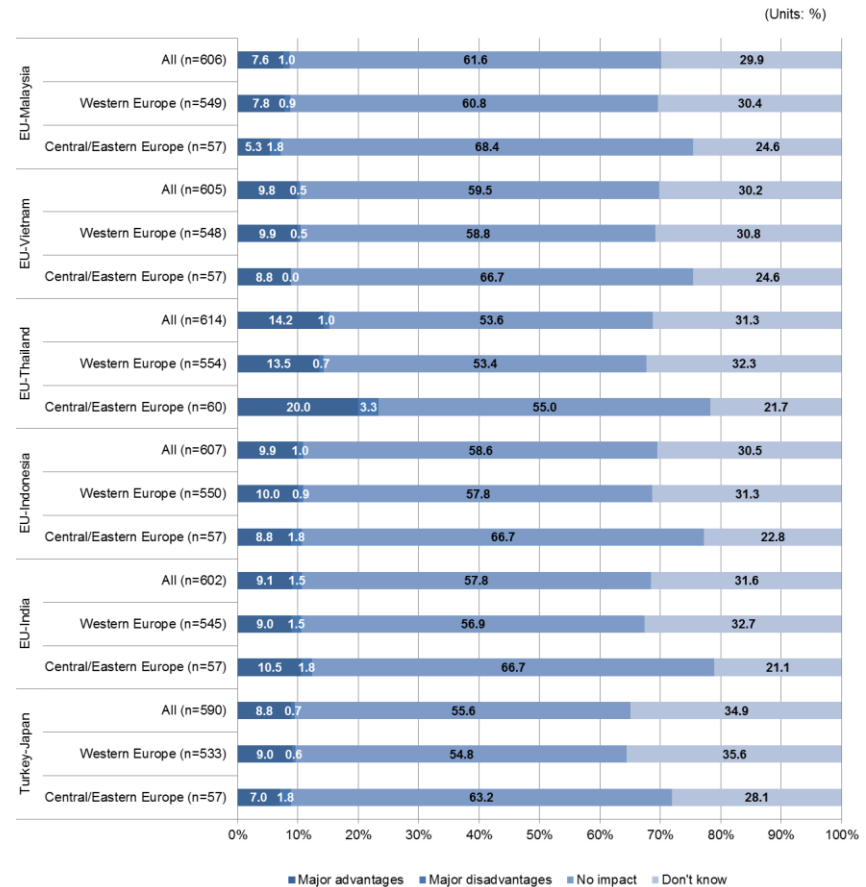
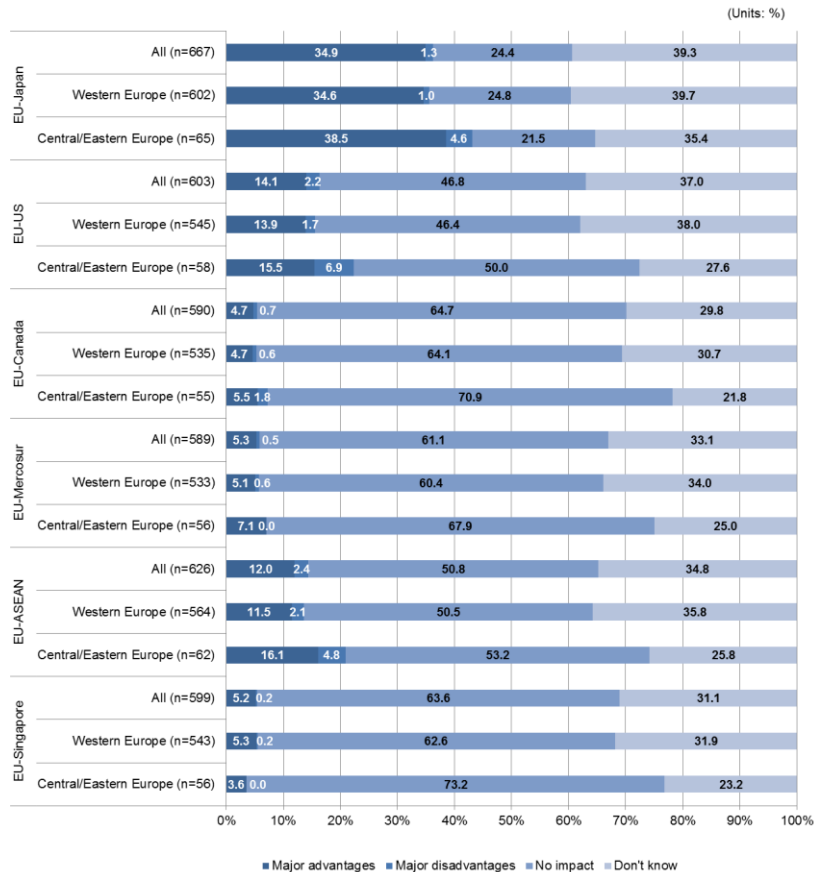
(Units: cos., %)

	Utilization of preferential tax rates provided by FTAs in exports				Utilization of preferential tax rates provided by FTAs in imports			
	Responses	Utilizing	Considering utilization	Not utilizing (No plan to utilize)	Responses	Utilizing	Considering utilization	Not utilizing (No plan to utilize)
S. Korea	45 100.0%	15 33.3%	4 8.9%	26 57.8%	33 100.0%	17 51.5%	3 9.1%	13 39.4%
Turkey Customs Union	153 100.0%	57 37.3%	10 6.5%	86 56.2%	39 100.0%	20 51.3%	3 7.7%	16 41.0%
European Economic Area (EEA)	169 100.0%	51 30.2%	14 8.3%	104 61.5%	71 100.0%	21 29.6%	2 2.8%	48 67.6%
Switzerland	134 100.0%	39 29.1%	9 6.7%	86 64.2%	16 100.0%	5 31.3%	- -	11 68.8%
Mediterranean countries (including the Middle East)	96 100.0%	26 27.1%	6 6.3%	64 66.7%	11 100.0%	1 9.1%	2 18.2%	8 72.7%
South Africa	70 100.0%	20 28.6%	2 2.9%	48 68.6%	10 100.0%	4 40.0%	- -	6 60.0%
Mexico	34 100.0%	12 35.3%	2 5.9%	20 58.8%	13 100.0%	6 46.2%	2 15.4%	5 38.5%
Chile	22 100.0%	5 22.7%	- -	17 77.3%	3 100.0%	- -	- -	3 100.0%

- With regards to the use of bilateral or multilateral FTAs by firms operating in the EU, the Turkey Customs Union is used by many firms for exporting, with the European Economic Area (EEA) used by many firms for importing.

V. EPA/FTA (1)

Fig.34 Impact of EPAs/FTAs



■ With regards to the impact of the economic partnership agreements (EPA) and free trade agreements (FTA) currently being negotiated by the EU, respondents had higher hopes for the EU-Japan EPA compared to other EPAs/FTAs, with 34.9% of respondents ticking the “Major advantages” answer for this EPA.

V. EPA/FTA (2)

Fig. 35 Industries in which large percentages of companies responded that the EU-Japan EPA would have “Major advantages”

(Units: cos., %)

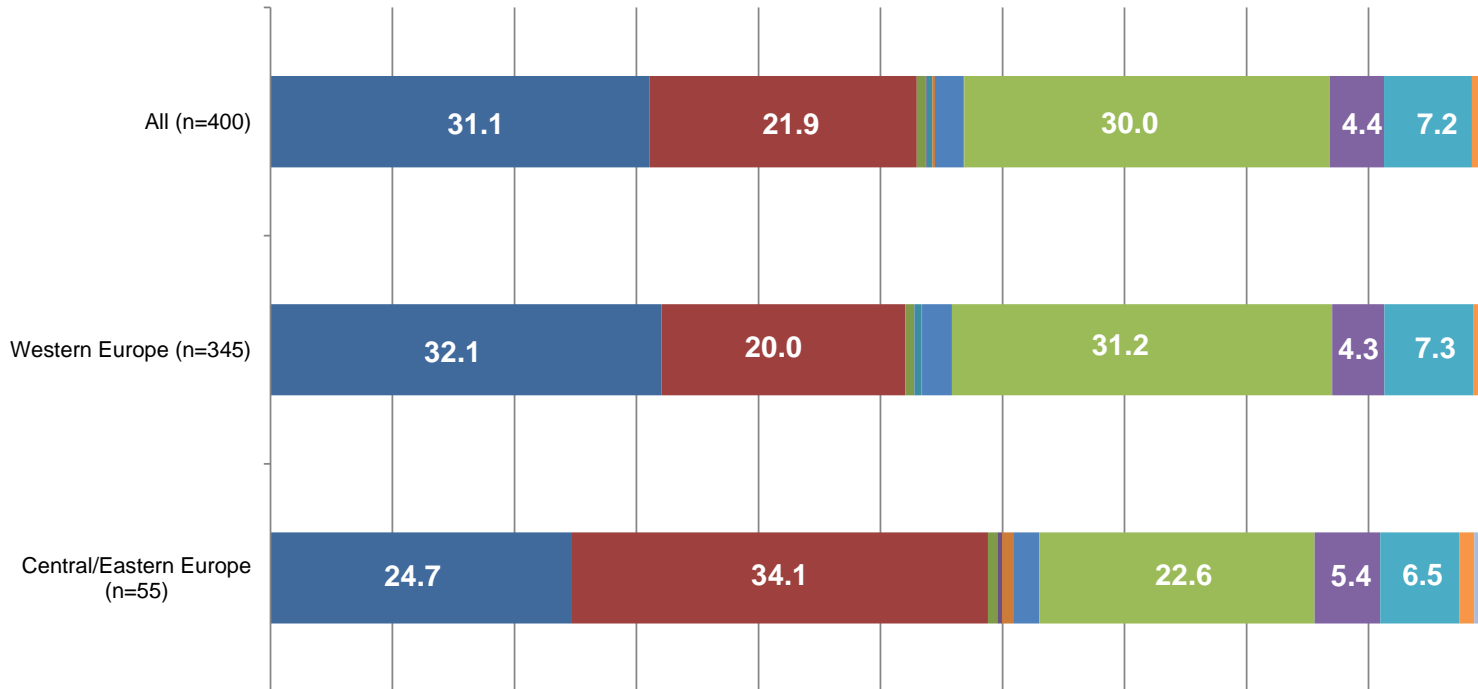
		Responses	Percentage
1	Motor vehicles and motorcycles	10	62.5
2	Other manufacturing	13	50.0
2	Precision equipment	7	50.0
2	Rubber products	4	50.0

- A large percentage of companies in the “Motor vehicles and motorcycles” sector (62.5%) responded that the EU-Japan EPA would have “Major advantages.”
- The “Other manufacturing,” “Precision equipment,” and “Rubber products” sectors came joint second when it came to the percentage of companies answering “Major advantages.” As this shows, there are high expectations for the EU-Japan EPA in the manufacturing industries.

VI. Local Procurement (1)

Fig. 36 [Manufacturing] Breakdown of sources for parts and raw materials (by country and region)

■ Your country ■ Other countries in Europe ■ Turkey ■ Russia ■ Middle East ■ Africa ■ North America ■ Central and South America ■ Japan ■ ASEAN ■ China ■ South Korea ■ Other countries in Asia

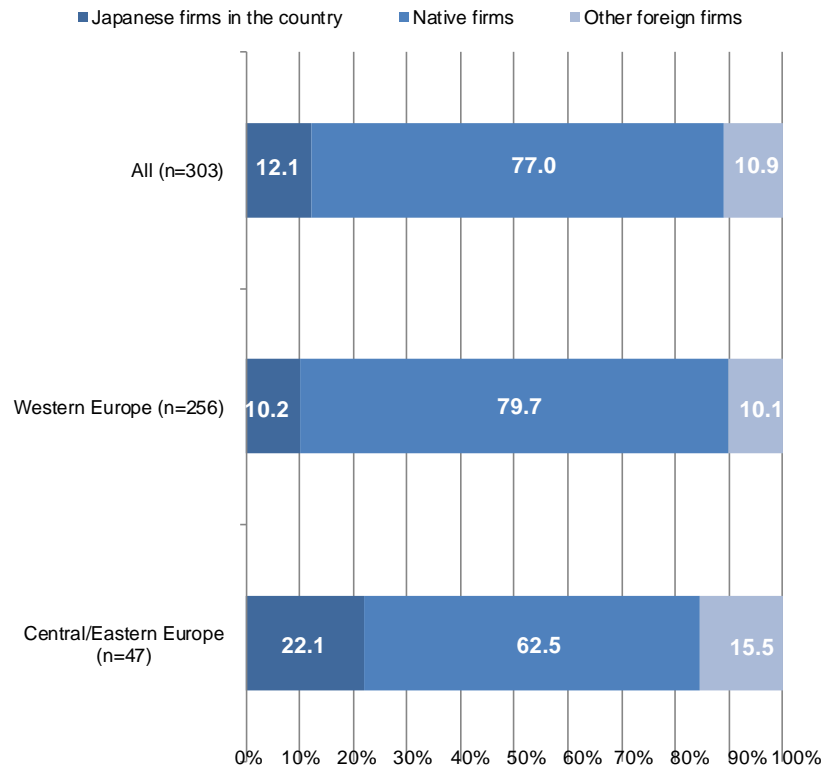


Note: "Your country" refers to the country in which the respondent's company is located.

- When it comes to the sources for parts and raw materials (by country and region) for respondents in the manufacturing industries, the most common answer given was "Your country" (31.1%), followed by "Japan" (30.0%) and "Other countries in Europe" (21.9%), with Europe and Japan accounting for over 80% of all answers.
- In Western Europe, 'Japan' and "Your country" both accounted for over 30% of all answers, though "Other countries in Europe" was the most common answer for respondents in Central and Eastern Europe.

VI. Local Procurement (2)

Fig. 37 [Manufacturing] Breakdown of local sources (firms)



Note: "Your country" and "Native" refer to the country in which the respondent's company is located.

- A breakdown of local sources (firms) in "Your country" shows "Native firms" accounting for the highest percentage of answers (77.0%), followed by "Japanese firms in the country" (12.1%) and "Other foreign firms" (4.1%).
- A higher percentage of firms in Central and Eastern Europe replied "Japanese firms in the country" compared to respondents in Western Europe.



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